

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SAM-01 NSC-10

SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 L-03 H-03

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R 140850Z FEB 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9984

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS TOKYO 2058

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: JAPAN'S BALANCE OF PAYMENTS IN JAN -- PROVISIONAL

PASS TREASURY AND FEDERAL RESERVE

SUMMARY: ADVERSE SEASONAL INFLUENCES, ESPECIALLY ON
EXPORTS, RESULTED IN LARGE \$1.2 BIL DEFICIT ON CURRENT
ACCOUNT AND \$1.9 BIL OVERALL DEFICIT IN JAN. NEVERTHE-
LESS, THERE ARE SIGNS OF FUNDAMENTAL IMPROVEMENT IN
MUCH SMALLER NET OUTFLOWS OF LONG-TERM CAPITAL AND SHARP
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TEN PERCENT RISE OVER DEC IN SEASONALLY ADJUSTED EXPORTS.

1. IN JAN TRADE BALANCE RECORDED EXCEPTIONALLY LARGE DEFICIT OF \$740 MIL COMPARED WITH SMALL SURPLUS IN DEC. THIS PRIMARILY DUE TO UNFAVORABLE SEASONAL FACTORS LARGELY AFFECTING EXPORTS. AS A RESULT, CURRENT ACCOUNT IN HEAVY DEFICIT OF \$1,210 MIL, PERHAPS THE BIGGEST IN JAPAN'S POST-WAR HISTORY. OUTFLOWS OF LONG-TERM CAPITAL WERE DOWN \$470 MIL FROM RECORD DEC LEVEL TO ONLY \$760 MIL. DESPITE EXCHANGE MARKET TURBULENCE, SHORT-TERM CAPITAL, INCLUDING ERRORS AND OMISSIONS, RECORD SMALL INFLOW. OVERALL DEFICIT OF \$1,930 MIL WAS FINANCED LARGELY BY \$1,290 MIL IN NET INFLOW OF BANKING FUNDS SO THAT OFFICIAL SETTLEMENTS DEFICIT ONLY \$640 MIL.

2. EXPORTS ROSE SHARPLY IN JAN. ON SEASONALLY ADJUSTED BASIS, THEY WERE 9.7 PERCENT HIGHER THAN DEC AT \$3,609 MIL. OVER HALF OF IMPROVEMENT REPORTEDLY CONCENTRATED IN SHIPS, STEEL PRODUCTS AND AUTOS. SEASONALLY ADJUSTED IMPORTS UP 1.4 PERCENT TO \$3,473 MIL. CONSEQUENTLY, TRADE BALANCE AGAIN IN SURPLUS OF \$136 MIL COMPARED WITH DEC DEFICIT OF \$137 MIL (REVISED). REPORTS SUGGEST STRENGTHENING OF EXPORTS MANY OTHER PRODUCTS IN PROSPECT AS DOMESTIC DEMAND, INCLUDING INVENTORY SPECULATION, BEGINS TO EASE SLIGHTLY.

3. PROVISIONAL UNADJUSTED JAPANESE BALANCE OF PAYMENTS IN JAN IN MIL DOLLARS (JAN 73 DATA IN PAREN): OVERALL

BALANCE MINUS 1,930 (MINUS 607); EXPORTS 2,550 (UP 42.0 PERCENT FROM 1,796); IMPORTS F.O.B. 3,290 (UP 85.2 PERCENT FROM 1,776); SERVICES AND TRANSFERS COMBINED MINUS 520 (MINUS 129); LONG-TERM CAPITAL MINUS 470 (MINUS 209); SHORT-TERM NONMONETARY CAPITAL AND ERRORS AND OMISSIONS PLUS 40 (PLUS 357). RATE OF EXCHANGE USED FOR JAN WAS 297.52 PER DOLLAR AND FOR DEC 280.00 PER DOLLAR.

4. FINANCING OF OVERALL DEFICIT IN JAN (JAN 73 DATA IN PAREN) AS FOLLOWS: COMMERCIAL BANKS NET SHORT-TERM UNCLASSIFIED

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BORROWING ABROAD \$1,290 MIL (\$178 MIL); OFFICIAL ACCOUNTS REDUCTION IN NET ASSETS \$640 MIL (\$429 MIL; PUBLISHED OFFICIAL RESERVES DOWN \$680 MIL IN JAN TO \$11,566 MIL. GOLD AND FOREIGN EXCHANGE TOTALED \$10,424 MIL, GOLD TRANCHE \$629 MIL, AND SDR'S \$513 MIL.

5. CUSTOMARY DETAILS ON CUSTOMS EXPORTS AND IMPORTS TO BE REPORTED IN SEPTTEL.

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